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## WAR RISK INSURANCE

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THE stage has been reached when we may carefully consider the failures and accomplishments of the Bureau of War Risk Insurance and thereby arrive in our own minds at a conclusion as to whether or not the legislation creating the Bureau was short of vision, whether or not such legislation was intended for a war emergency only, and when we may discuss the social and economic place of the function and activity of the Bureau of War Risk Insurance as it affects the life of our nation.

Before going into these phases of the question, it may possibly serve to clarify our thought if we consider the history of the legislation bringing forth the Bureau of War Risk Insurance. To begin with, the Congress of the United States felt it should provide something in the way of protection against war hazards. What contingencies, would in the opinion of the War Congress be considered as the main hazards to be provided against? There was—first, the marine hazard of war, second, the economic and social hazards of the dependent relatives of the fighting forces, and third, the physical hazards resulting in complete or partial disability, or terminating fatally with the decedent leaving behind a dependent family.

In providing for these main war hazards there has developed, as of June 30, 1920, what might be regarded as five of the largest businesses of their kind in the world:

1. Marine insurance (war risk) total amount written.....	\$ 2,390,074,384.82
Premiums received on above less claims paid representing a profit of.....	\$ 17,500,897.92
2. Allotments and family allowances paid.....	\$ 554,691,626.25
3. Compensation for death or disability as a result of service (total expenditure to June 30, 1920).....	\$ 114,765,422.84
4. Insurance on military and naval forces (Total volume war risk term insurance written to June 30, 1920).....	\$40,284,892,500.00
5. The largest medical practice in the world with the total number of patients admitted to hospitals.....	54,779
And patients given treatment and examination.....	452,609

We will first trace the exigencies of the war period as it called forth the enlarged scope and activity of the bureau.

What can be termed as the original War Risk Insurance Act was passed by Congress on September 2, 1914. Immediately on the outbreak of the European War, Congress, in order that the commerce of the United States might be adequately protected, created in the Treasury Department a bureau charged with the duty of insuring American vessels, their freight and cargoes, against loss or damage from risk of war.

It is to be remembered that the initial legislation did not cover marine insurance, but covered solely war hazards. Such war risk insurance was brought forth by necessity. If the commerce of the world was to be safeguarded, national legislation should be passed. No private insurance company could assume the risk except by charging the almost prohibitive rates, which, because of the peril resulting from modern warfare, it would be called upon to charge.

The original War Risk Insurance Act of September 2, 1914, was further amended to insure the crews of vessels against death or disability resulting from war.

By the legislation creating marine and seamen's insurance, the government embarked upon what proved to be the most stupendous and successful marine insurance business which the world has ever known, and which resulted in stabilizing the commerce of the entire country, as well as causing renewed confidence in the government. The vastness of the business undertaken can be easily grasped when it is known that the total amount of insurance written was \$2,390,074,384, and the success with which the bureau administered this function given by Congress, and the united support which the bureau received from our own navy as well as those of allied governments, can be appreciated when it is known that the premiums received, less claims paid, represented a profit of \$17,500,897.

With the cessation of active hostilities on November 11, 1918, the activity relating to the marine and seamen's feature of the War Risk Insurance Act was brought practically to a close.

The most widely known functions of the bureau, however, are found in the administration of the War Risk Insurance Act as it relates to soldiers or sailors allotments and government allowances, insurance, and compensation, which were provided for by the Act approved October 6, 1917.

Let us first consider the social and economic reasons that called forth this last classified legislation. Congress had passed the Selective Service Act, believing it to be the best means by which the army of this great democracy should be formed, to the end that the armed forces should be assembled and trained without discrimination to class, caste, or creed. Congress increased the pay of the enlisted man by about 100 per cent. and yet felt that the drafting into military or naval service of a person would not withdraw the legal and moral obligation of each man, wherein the necessity existed, to contribute to the support of his family. The breadwinner had been taken from the home, and it was evident that some method should be devised to alleviate the attendant financial distress that would inevitably follow.

Congress further appreciated that no army, however strong in numbers, could wage a successful warfare if the morale of the country

supporting such army were at a low ebb. By Article II of the War Risk Insurance Act of October 6, 1917, provision is made for the granting of allowances by the government to families and dependents of enlisted men in the military or naval service. The law required the soldier or sailor to allot a certain amount of his pay to certain classes of dependents such as a wife or child, and also to brothers, sisters or grandchildren, he might allot, if he wished, a part of his pay. To this allotment the government would add an allowance to be determined by the number of members in his family and the amount of the man's habitual contribution to their support, previous to entering military or naval service.

Successfully to carry out the terms of this legislation presented a multitude of economic and social problems. The legislation was both liberal and fair, recognizing the legal and moral responsibility of the man to meet the burden which rests upon him in supporting his family and at the same time recognizing his inability while absent from home on military duty to discharge that responsibility.

The government, therefore, agreed to contribute its share, which might amount to a contribution of more than three times the sum which the enlisted man was required to allot for the support of his family. The Bureau of War Risk Insurance was the agency through which this aid was to be rendered. Its doors were formally opened for this purpose on October 6, 1917, with approximately twenty employees.

It was stated at the time of the passage of the legislation that the degree of dependency in the army would approximate forty-five per cent. of the total enlistment. Hence about 900,000 applications for allotment and allowance would be received as soon as the bureau began to function. No force had been recruited to cope with the volume of work; no facilities were available; army and navy contact necessary for obtaining the information upon which to base allotment and allowance had not been established and the clientèle of this great organization was scattered throughout the various military and naval organizations. These were some of the almost insurmountable problems immediately confronting the bureau. I can not infringe upon your time other than to point out some of the difficulties which in the beginning faced the bureau.

The bureau undoubtedly failed in many instances to render prompt aid and thereby relieve many cases of dire distress, but I believe when the accomplishments are measured by the failures, the bureau will receive favorable commendation.

As a result of the administration of the allotment and allowance feature of the War Risk Insurance Act, the bureau became one of the largest financial institutions the world has ever known. Requests for allotment and allowance from October 6, 1917, to the close of this

fiscal year, June 30, 1920, totaled 1,666,607. There were in addition 2,807,093 application blanks returned on which no allotment and allowance was requested. It was necessary, however, to go over all of these forms received, in order that a proper index might be made. The total expenditure to June 30, 1920, totaled \$554,691,626.25. Certainly from an economic and social standpoint no one will question the vision of the legislation providing for allotment and allowance, nor the family economic stability that resulted.

Congress felt that, inasmuch as relief had been afforded for the period of war by providing for the dependents left behind, and inasmuch as insurance had been and still is a great factor in the family life of the American people, some provision should be made whereby the men whose insurability in a private company had been destroyed by going into the war, or, if not destroyed, would persist only upon the payment of premiums signally higher than those of peace-time, should not individually suffer this economic loss at the hands of the government; instead, that the government should itself grant insurance to soldiers and sailors at a premium rate which took account only of peace-time risk, leaving the cost of administration to be borne as a part of the cost of war.

Congress, therefore, wrote into the War Risk Insurance Act of October 6, 1917, Article IV concerning insurance, by the terms of which insurance might be applied for by men and women in the military or naval service in amounts ranging from \$1,000 to \$10,000, payable in the event of death or total and permanent disability, no matter from what cause resultant, and irrespective of whether or not such death or disability was incident to military or naval service. Provision was also made whereby insurance applied for during the war period could be converted into government life insurance along the same lines as insurance policies issued by private insurance companies.

By this legislation the government embarked upon an entirely new enterprise, an enterprise without parallel in the history of mankind, the stupendousness of which can be fully appreciated when it is known that in this connection 4,631,993 applications for insurance were received, which totaled a liability of \$40,284,892,500, a sum far in excess of the total amount of insurance in force with all commercial companies in the United States.

There has been a great economic question in the minds of some people since the signing of the armistice as to whether or not the government should continue in the insurance business. Should it seemingly compete with private insurance companies? Would the government in this field of enterprise promote the economic stability of the country or would it bring attendant economic distress? Should all war risk insurance be cancelled and a cash bonus substituted therefor?

These are some of the many questions that have confronted Congress and the people at large.

While the Bureau of War Risk Insurance has labored under tremendous handicaps, I believe that the time which has elapsed since the signing of the armistice has proved the stability and value of government insurance.

The government is now paying insurance, as of December 1, 1920, to 131,824 beneficiaries under war risk term insurance, which represents a total liability of \$1,169,597,021.63 to the government. This does not mean, however, that this last named amount of money will be immediately disbursed because war risk term insurance is payable in monthly installments extending over a period of twenty years.

There has been one great difficulty in the administration of the insurance feature of the War Risk Insurance Act and that has been because the work of the bureau is by legislation centralized. Legislation and appropriations do not permit of the bureau's establishing satisfactory contact in the field. Could a large private insurance company hope to maintain a high degree of efficiency were it possible to have only one central office through which all correspondence, the writing of insurance, and the settlement of claims should be handled, and should not the bureau be allowed the opportunity of taking this great economic relief provided by insurance to the homes of all ex-service men and women? If knowledge of this opportunity could be taken to the home of every ex-service man and woman would it not react favorably upon the social and economic life of the nation as a whole? But in spite of this difficulty the approximate data as of December 1, 1920, discloses that 347,664 men and women have continued their war risk insurance amounting to \$2,882,736,500.00, and 228,615 men and women have converted their war term insurance into government life insurance, the converted insurance amounting to \$775,717,000.

Can you visualize the tremendous and far-reaching economic stability to our nation should there be more than four and one-half million men and women in the prime of life who had fortified themselves and provided for their dependents by carrying insurance in the amount of \$10,000?

I must hasten to the last great feature of the War Risk Insurance Act and that is the provision for the payment of compensation. Congress desiring to be free from the pension complications following previous wars provided compensation payments in case of death or disability connected with military service, not merely a gratuity, but compensation based somewhat upon the compensation laws of the different states and computed according to the family status or the degree of disability suffered.

It should be pointed out that compensation benefits are completely distinct from those of insurance. An insurance award has no influence or bearing whatever on a compensation award for the same death or disability, and *vice versa*. Insurance is a government contract with a soldier or sailor, whereas compensation is a government grant which is discontinued upon the termination of the contingency necessitating it. Payments of the benefits of insurance are payable without regard to a line of duty status, while compensation payments are dependent upon a line of duty status.

The bureau had adjudicated, as of December 1, 1920, 437,588 claims for death and disability compensation. The last monthly payment for compensation being paid to disabled soldiers amounts to \$10,164,493.09 and the last monthly payment of the bureau to the dependents of deceased soldiers amounted to \$1,345,617.42. The total amount disbursed to December 1, 1920 by the bureau for compensation purposes amounting to \$163,979,175.25.

In providing for the payment of compensation the bureau can justly be termed the largest employees liability company the world has ever known.

The bureau is also charged with the responsibility of providing medical care and treatment for disabled soldiers and sailors where such disability is traceable to military or naval service, and in this respect, has given medical care and treatment as of the close of the present fiscal year, June 30, 1920, to 452,609 patients with 54,779 having received hospital treatment. There are now in hospitals scattered over the entire United States approximately 23,000 ex-service men and women.

The medical activities of the Bureau of War Risk Insurance throughout the country is a function of the United States Public Health Service acting under the joint authority of the director of the Bureau of War Risk Insurance and the Surgeon General of the United States Public Health Service. In order better to administer the vast number of physical examinations and the hospital relief incident to the proper execution of the War Risk Insurance Act, the Surgeon General of the United States Public Health Service, acting for and in behalf of the Bureau of War Risk Insurance, has divided the continental United States into fourteen districts and detailed a medical officer to take charge of the organization of each such district.

In June, 1920, the Congress of the United States, realizing the imperative need of additional hospital facilities, approved the utilization, where feasible, of government hospital facilities of the United States Army and Navy, and the National Homes for Disabled Volunteer Soldiers. This act on the part of Congress greatly relieved the acute hospital situation. The director of the bureau also entered into

negotiations, with the State of New York, and as a result of such negotiations, that state passed legislation authorizing the construction of a \$3,000,000 hospital for the care of disabled soldiers and sailors suffering from mental disorders, such hospital to be leased to the government with the option of purchase at the expiration of a ten-year period. The authority of the government thus to contract with a state is now before Congress.

In discharging the functions required by law of granting marine and seamen's insurance, allotment and allowance, insurance, and compensation, the present director divided the work of the bureau into several major administrative divisions, having an assistant director or chief in charge, who is held responsible for the work of such division. The director through intensive study of the flow of work throughout the various divisions of the bureau has lessened duplication, and by the installation of many labor-saving devices improved the character of the work performed as well as made possible a material reduction in the total personnel of the bureau. At one time the bureau's personnel totaled over 17,000 while now the entire personnel of the bureau numbers 5,775. This reduction has taken place in spite of the fact that the work of the bureau has increased, and still further reductions in personnel are contemplated.

The present director of the bureau has also installed a central record control for the entire bureau in order that he may get daily reports of the work of each particular division, and in order that he may have knowledge at all times of the exact flow of work. A carefully planned budget system has also been put into effect.

There are many legislative relief bills pending. The Wason Bill which has passed the House of Representatives and is now before the Senate for action, provides for the decentralization of the activities of the bureau and for many other advantageous administrative steps. There is also before Congress an adequate program for the construction of government hospitals.

The most radically re-constructive bill now before Congress is for the consolidation of all agencies having to do with ex-service men and women and their dependents. Certainly to establish and co-ordinate the work of the United States Public Health Service, the Federal Board for Vocational Education, and the Bureau of War Risk Insurance, by bringing all agencies under one directing head, will be a great step forward in meeting the immediate needs of ex-service men and women and in relieving much duplication of work with relief from that attendant delay that inevitably follows such duplication.

I am thoroughly in accord with this plan to have all of these agencies co-ordinated under a sole directing head.

Early in my administrative effort as director of the Bureau of War



Risk Insurance I became conscious of the fact that while the responsibility of conducting the affairs of the bureau rested upon the director, subject, of course, to the general supervision of the Secretary of the Treasury, that the work of the bureau was no one man's job, that the full counsel and cooperation should be secured of all who were equally interested and concerned in order to make the bureau's work most effective and so that the provisions of the War Risk Insurance Act could serve effectively all those whom Congress intended should be benefited thereby.

The influence and cooperation of you, gentlemen, whose sphere is unlimited, is not only desirable, but is essential to the proper carrying out of the government's program in meeting adequately the needs of ex-service men and women.

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## PRESENT NEEDS OF THE UNITED STATES PATENT OFFICE

By ROBERT F. WHITEHEAD

COMMISSIONER OF PATENTS

**U**NDER Article 1 of Section 8 of the Constitution, Congress was granted power to promote the progress of Science and Useful Arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.

Under this power Congress has passed laws authorizing the issuance to any one who has made a new and useful invention in an art, machine, manufacture, or composition of matter, of a patent for a term of seventeen years, granting to the patentee the exclusive right to make, use and sell his invention or discovery.

To the Patent Office, Congress has given the duty of examining all applications for patent and determining whether the applicant is justly entitled to the patent which he seeks.

While many people are more or less familiar with patents, few realize to what extent all classes of citizens are affected by the work of the inventor who is largely stimulated to do his work by the hope of a reward from the granting of a patent.

The Patent Office deals with all the efforts of the world in every field of industry to advance the useful arts. In his report for 1916 the Commissioner of Patents, as illustrating the various interests both public and private which are involved and the extent of such interest, said:

What great interests are involved, not merely of private but of public concern, may be illustrated by a few examples relating to the field of conservation of fuel.

The Commonwealth Edison Company of Chicago reports that it has